

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

McCormy

**STORES
CORPORATION**



**ANNUAL
REPORT**

Directors

R. F. COPPEDGE (1934), *Chairman*

RANDOLPH CATLIN (1937) A. J. FINK (1936) FRANK J. HUMPHREY, JR. (1951)
N. BAXTER JACKSON (1936) HARRY O. LATHAM (1944) WILLIAM L. LESS (1948)
F. W. PAUL (1945) LAURENCE W. SIMONDS (1954) EUGENE W. STETSON (1941)
LEONARD SPANGENBERG (1946)

Executive Committee

LEONARD SPANGENBERG, *Chairman*

R. F. COPPEDGE A. J. FINK HARRY O. LATHAM
EUGENE W. STETSON F. W. PAUL

Officers

R. F. COPPEDGE, (1931) *Chairman of the Board of Directors*

F. W. PAUL (1925) *President*
R. A. VROOM (1922) *Vice President*
M. O. HILL (1920) *Vice President*
L. C. SHOCKLEY (1928) *Vice President*
T. C. LAWRENCE (1945) *Financial Vice Pres. & Secretary-Treasurer*
C. R. PURDON (1929) *Comptroller*

Dates indicate year of election to Board of Directors and year of employment of Officers.

General Counsel *Sullivan & Cromwell, New York, N. Y.*
Auditors *S. D. Leidesdorf & Co., New York, N. Y.*
Transfer Agent *Guaranty Trust Company of New York*
Registrar
Common Stock *Bankers Trust Company, New York, N. Y.*
Preferred Stock *Chemical Corn Exchange Bank, New York, N. Y.*
General Office *1107 Broadway, New York, N. Y.*



February 10, 1955

To The Stockholders:

Sales of the McCrorry Stores Corporation for the year 1954 amounted to \$103,856,368, representing a decrease of less than 1% from the sales of 1953.

Net earnings for 1954 after Federal Taxes amounted to \$3,065,621 or \$1.25 per share of Common Stock and compares with \$1.44 per share (after excluding 1953 gain on sale of physical assets of .06 per share) in 1953. Dividends paid on Common Stock during the year 1954 amounted to \$1.05 per share.

The operations for 1954 reflect in part the cost of conversion of the variety store to the principle of self-service and its acceptance by the buying public. At December 31, 1954, the company had in operation 24 complete self-service units with plans to open 20 self-service units during 1955. The capital out-lay of these self-service units amounted to \$1,240,000 or 64% of the capital expenditures for 1954 of \$1,928,788.

The public acceptance of the self-service variety store has sparked a major expansion program in the remodeling of stores that will take several years to complete. At the present time, all new stores that are scheduled for opening in 1955, will be designed for self-service. At this stage of development, it would seem that the only variety store not adaptable to self-service is the store where volume in excess of a million is anticipated and where the selling space is broken up and spread over more than one floor.

In addition to the conversion of 16 stores to self-service during the year, the Company built six new stores in 1954, five of which replaced former stores of inadequate size and operation. Two small stores were closed and the store at Easton, Maryland was destroyed by fire.

Improvements to physical properties for 1955, including new and remodeled stores, are estimated to cost not in excess of \$3,000,000.

The following is a brief summary of our new store building program:

1954 — New Stores opened

Scottsdale, Pa.	Waynesboro, Pa.
Palatka, Fla.	Wichita Falls, Texas
Orange, N. J.	Flushing, N. Y.

1955 — New Stores to be opened

Baton Rouge, La.	Baltimore, Md.
Edwardsville, Pa.	Natchez, Miss.
Easton, Md.	

The variety store has been accepted by the suburbanite as a welcome addition to expanding retail shopping areas. The company, while not overlooking any opportunity to expand its activities in downtown districts has also sought out and is presently negotiating for additional locations in growing suburban communities.

During the past year the Company financed its heavy fall inventory with short term bank loans which were repaid after Christmas. As this year's working capital will be pinched by the acceleration and pre-payment of Federal Income Taxes, it is anticipated that the Company will finance both spring and fall inventories with short term bank loans.

Working capital at December 31, 1954 amounted to \$13,442,946. The statement below reflects the major items making up working capital, indicating how the funds were provided and their disposition.

WORKING CAPITAL

CURRENT ASSETS	1954	1953
Cash	\$ 5,395,751	\$ 6,113,996
Merchandise Inventory	15,233,446	15,265,462
Accounts Receivable	156,074	100,064
	<u>\$20,785,271</u>	<u>\$21,479,522</u>
Less Current Liabilities (Net)	7,342,325	8,544,825
WORKING CAPITAL	<u>\$13,442,946</u>	<u>\$12,934,697</u>

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

ADDITIONS TO WORKING CAPITAL:	1954	1953
Net income	\$ 3,065,621	\$ 3,627,277
Amortization and depreciation	1,559,925	1,477,218
	<u>\$ 4,625,546</u>	<u>\$ 5,104,495</u>
DEDUCTIONS FROM WORKING CAPITAL:		
Cash Dividends on Preferred and Common Stock	\$ 2,604,693	\$ 2,718,745
Capital Assets (expenditures for new and remodeled stores, etc. — Net)	1,928,788	3,018,925
Accounts Receivable — Noncurrent	(300,000)	300,000
Decrease in deferred charges, etc.	(116,184)	(42,606)
	<u>\$ 4,117,297</u>	<u>\$ 5,995,064</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 508,249</u>	<u>\$ (890,569)</u>

It is a pleasure to acknowledge, on behalf of the Board of Directors, the continuing loyalty and support of all members of our organization during the past year.

—BY ORDER OF THE BOARD OF DIRECTORS

R. F. Coppedge

R. F. COPPEDGE, Chairman

F. W. Paul

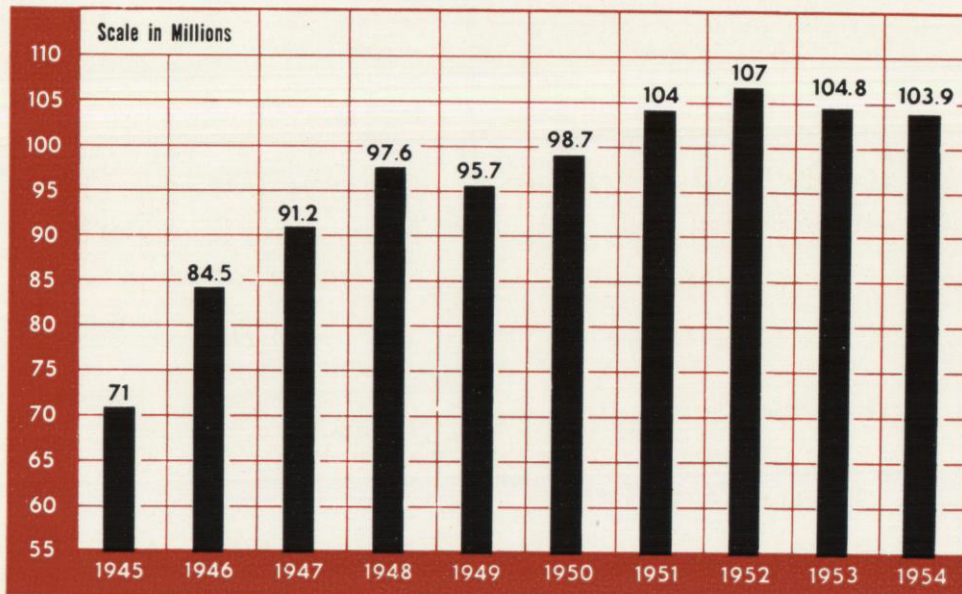
F. W. PAUL, President

The Story in Brief

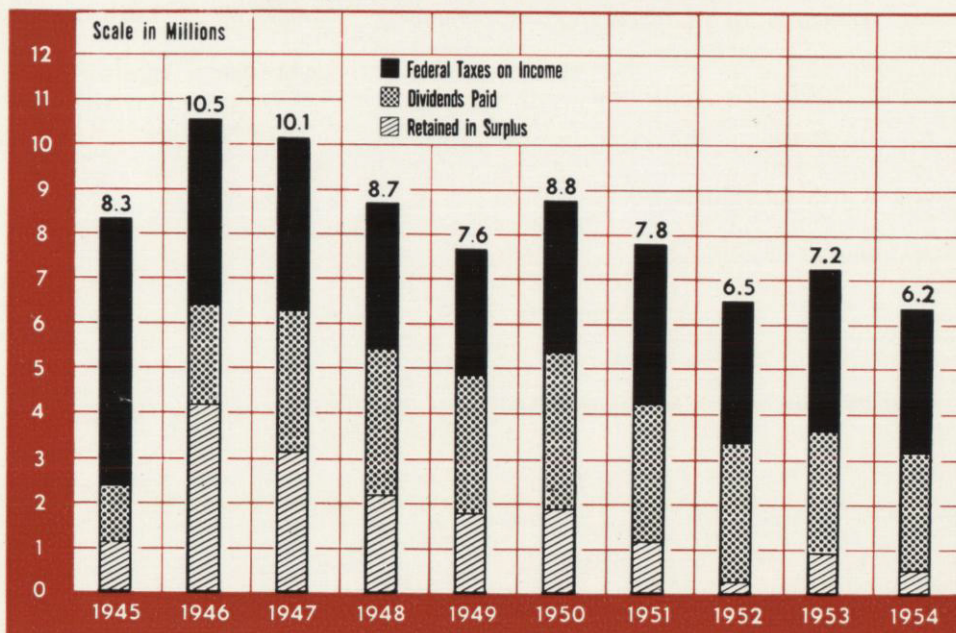
	1954	1953
Sales	\$103,856,368	\$104,787,105
Number of Stores	210	211
Average Sales per Store	494,554	496,621
Employees Compensation and Pension Costs (Including Payroll Taxes)	19,444,849	19,289,588
Net Earnings	3,065,621	3,627,277
Earned per Share	1.25	1.44*
Dividends per Share	1.05	1.10
Taxes per Share (Federal, State and Local) ..	1.61	1.80
Net Additions to Fixtures and Improvements	1,928,788	3,018,925
Working Capital	13,442,946	12,934,697
Current Ratio	2.83	2.51
Net Worth per Share	14.64	14.44
Number of Stockholders	8,427	7,249

*Not including gain on sale of physical assets of .06 per share.

Annual Sales



Disposition of Income



TO THE BOARD OF DIRECTORS
McCRORY STORES CORPORATION
NEW YORK, N. Y.

We have examined the balance sheet of McCrory Stores Corporation as at December 31, 1954 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earned surplus, together with the notes to financial statements, present fairly the financial position of McCrory Stores Corporation at December 31, 1954, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

Certified Public Accountants

New York, N. Y.
February 10, 1955

McCrory Stores

BALANCE SHEET as at December 31

ASSETS

	1954	1953
CURRENT ASSETS:		
Cash on hand, in banks and in transit	\$ 5,395,751	\$ 6,113,996
Merchandise inventories—Note A	15,233,446	15,265,462
Miscellaneous accounts receivable, less reserve	156,074	100,064
Total Current Assets	<u>\$20,785,271</u>	<u>\$21,479,522</u>
ACCOUNT RECEIVABLE—Noncurrent	—	<u>\$ 300,000</u>
FIXED ASSETS:		
Real estate, at adjusted value December 31, 1936 and subsequent additions at cost	\$ 6,377,305	\$ 6,217,886
Furniture and fixtures, equipment and utensils, at cost	13,984,852	13,185,899
Improvements to leased property, at adjusted value January 1, 1936 and subsequent additions at cost	17,161,157	16,850,475
	37,523,314	36,254,260
Less: Reserves	12,450,432	11,487,599
Total Fixed Assets	<u>\$25,072,882</u>	<u>\$24,766,661</u>
DEFERRED CHARGES:		
Prepaid rents, insurance, taxes, store supplies, etc.	\$ 869,964	\$ 923,506
	<u>\$46,728,117</u>	<u>\$47,469,689</u>

NOTES TO FINANCIAL STATEMENTS

Financial statements as at or for the year ended December 31, 1953 are included for comparative purposes only.

Note A—

	1954	1953
Merchandise at stores:		
Inventories at the lower of cost or market based upon the retail method of inventory valuation	\$12,014,946	\$11,873,118
Inventories at cost—restaurants	86,640	106,780
Merchandise at warehouses—at cost	966,986	923,635
Merchandise in transit—at cost	2,164,874	2,361,929
	<u>\$15,233,446</u>	<u>\$15,265,462</u>

Note B—

The 3½% Cumulative Convertible Preferred Stock is redeemable at the option of the Corporation, in whole or in part, at \$104 per share, plus accrued dividends to date of redemption, and in the event of voluntary liquidation, is entitled to receive an amount equal to the then redemption price and in the event of involuntary liquidation is entitled to \$100 per share and accrued dividends.

COMPARATIVE BALANCE SHEET

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res Corporation

ember 31, 1954 and 1953

LIABILITIES

CURRENT LIABILITIES:	1954	1953
Accounts payable—including merchandise in transit	\$ 3,461,818	\$ 4,031,496
Accrued expenses, taxes, rents, salaries, etc. . .	3,464,898	3,682,450
Reserve for Federal taxes on income	3,415,609	3,830,879
Less: U. S. Treasury notes	(3,000,000)	(3,000,000)
Total Current Liabilities	<u>\$ 7,342,325</u>	<u>\$ 8,544,825</u>
CAPITAL STOCK AND SURPLUS — Notes B, C and D:		
Preferred Stock — par value \$100.00 per share:		
Authorized	80,000 shares	
3½% Series—Cumulative Convertible		
Outstanding	59,893 shares	
	\$ 5,989,300	\$ 5,989,300
Common Stock—par value \$.50 per share:		
Authorized	2,800,000 shares	
Issued and outstanding	2,281,017 shares	
	1,140,508	1,140,508
Capital Surplus (no change during the year) . .	7,723,474	7,723,474
Earned Surplus (since January 1, 1936)	24,532,510	24,071,582
	<u>\$39,385,792</u>	<u>\$38,924,864</u>
	<u>\$46,728,117</u>	<u>\$47,469,689</u>

IAL STATEMENTS

Note C—

Of the total of 2,800,000 shares of Common Stock authorized 299,465 shares are reserved for issuance upon conversion of the 3½% Cumulative Convertible Preferred Stock.

Note D—

Pursuant to certain restrictions in connection with the authorization of the 3½% Cumulative Convertible Preferred Stock, Capital and Earned Surplus as at December 31, 1954 in the approximate amount of \$16,200,000 is not available for dividends on the Common Stock.

GENERAL—

At December 31, 1954 the minimum annual rentals upon property leased to the Corporation under 261 leases expiring after December 31, 1957 amount to approximately \$3,600,000, plus real estate taxes, insurance, etc.

The accompanying financial statements are subject to final determination of Federal and state taxes.

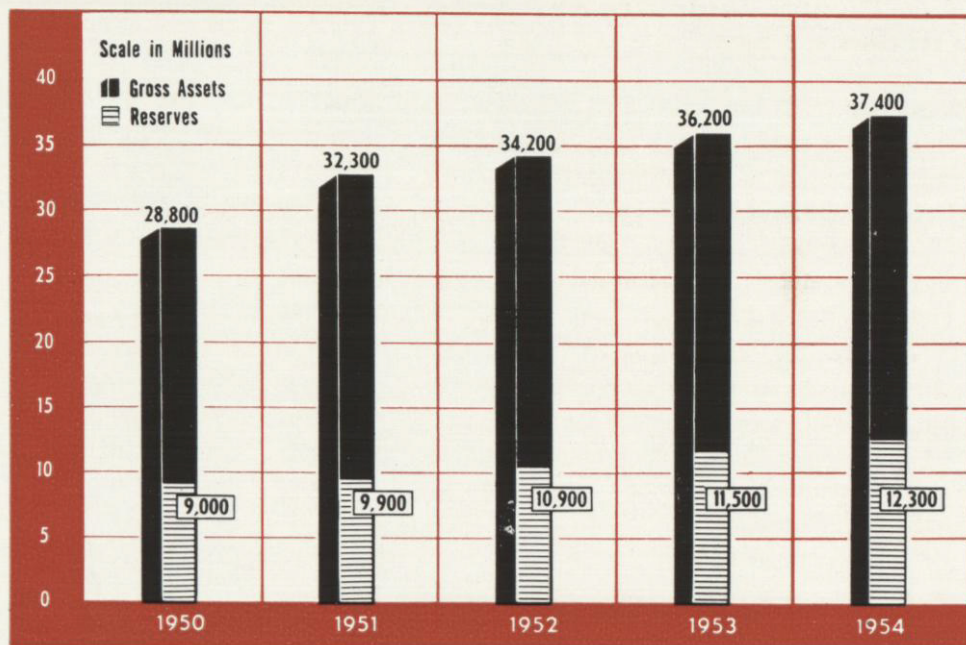
Statement of Income and Earned Surplus

For the Years Ended December 31, 1954 and 1953

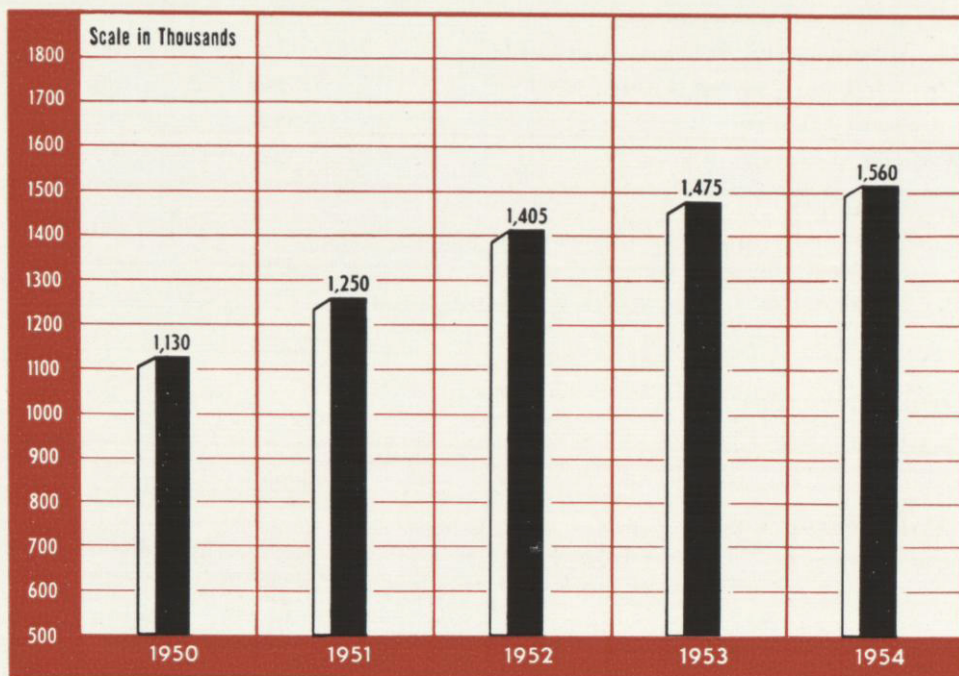
	1954	1953
SALES (merchandise, restaurant and concession)	\$103,856,368	\$104,787,105
COST OF GOODS SOLD AND OPERATING EXPENSES (including occupancy and general and administrative expenses)	96,055,507 7,800,861	96,178,740 8,608,365
OTHER INCOME:		
Income from sale of property	—	155,328
Miscellaneous income, less other deductions	(35,315)	(84,198)
	(35,315)	71,130
Net income before depreciation, amortization and Federal taxes on income	7,765,546	8,679,495
Depreciation and amortization	1,559,925	1,477,218
Net income before Federal taxes on income	6,205,621	7,202,277
Provision for Federal taxes on income	3,140,000	3,575,000
NET INCOME	3,065,621	3,627,277
EARNED SURPLUS (since January 1, 1936) as at December 31, 1953 and 1952	24,071,582 27,137,203	23,163,050 26,790,327
Dividends paid on:		
Common Stock 1954—\$1.05 per share	2,395,067	—
1953—\$1.10 per share	—	2,509,119
Preferred Stock	209,626 2,604,693	209,626 2,718,745
EARNED SURPLUS (since January 1, 1936) as at December 31, 1954 and 1953—Note D	\$ 24,532,510	\$ 24,071,582

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

Fixed Assets



Depreciation and Amortization



Ten Year Summary

(In thousands of dollars)

	1954	1953	1952
SALES	\$103,856	\$104,787	\$106,987
Cost of Sales, including occupancy expenses ..	70,580	71,192	73,286
Selling, general and administrative expenses ..	25,475	24,987	25,771
Depreciation and amortization	1,560	1,477	1,405
Other Income, less other deductions	(35)	71	(22)
NET INCOME Before Federal Taxes	6,206	7,202	6,503
Federal Taxes on Income	3,140	3,575	3,175
NET INCOME	\$ 3,066	\$ 3,627	\$ 3,328
Cash Dividends on Preferred Stock	210	210	210
Cash Dividends on Common Stock	2,395	2,509	2,851
*Net Income per share of Common Stock	1.25	1.50	1.37
*Cash Dividends per share of Common Stock ...	1.05	1.10	1.25
Number of Stores	210	211	211

Financial Position—

	1954	1953	1952
WORKING CAPITAL			
Current Assets			
Cash and U.S. Government Securities	\$ 5,396	\$ 6,114	\$ 7,501
Merchandise Inventories	15,233	15,266	13,805
Miscellaneous Accounts Receivable	156	100	36
Total Current Assets	20,785	21,480	21,342
Current Liabilities	7,342	8,545	7,517
WORKING CAPITAL	13,443	12,935	13,825
OTHER ASSETS			
Account Receivable — Noncurrent	—	300	—
Deferred Charges, etc.	870	923	924
Fixed Assets, Less Reserves for Depreciation and Amortization	25,073	24,767	23,267
	39,386	38,925	38,016
OTHER LIABILITIES			
Long Term Debt	—	—	—
NET ASSETS	\$ 39,386	\$ 38,925	\$ 38,016
Represented by			
Preferred Stock	\$ 5,990	\$ 5,990	\$ 5,990
Common Stock and Surplus ..	33,396	32,935	32,026
	\$ 39,386	\$ 38,925	\$ 38,016
*NET WORTH PER SHARE OF COMMON STOCK ...	\$ 14.64	\$ 14.44	\$ 14.04

*Number of shares of Common Stock has been adjusted to reflect 2 for 1 split during April 1951.

TEN YEAR SUMMARY

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Statement of Income

1951	1950	1949	1948	1947	1946	1945
\$104,222	\$98,665	\$95,767	\$97,588	\$91,225	\$84,509	\$71,282
71,011	66,140	65,137	66,088	61,336	56,645	48,182
24,378	22,930	22,249	22,139	19,569	16,999	14,060
1,252	1,130	951	746	674	651	667
248	340	156	74	407	324	(91)
7,829	8,805	7,586	8,689	10,053	10,538	8,282
3,740	3,540	2,755	3,200	3,750	4,000	5,910
\$ 4,089	\$ 5,265	\$ 4,831	\$ 5,489	\$ 6,303	\$ 6,538	\$ 2,372
210	210	210	210	210	205	225
2,851	3,135	2,850	3,193	3,022	2,280	995
1.70	2.21½	2.02½	2.31½	2.67	2.77½	1.00
1.25	1.37½	1.25	1.40	1.32½	1.00	.50
206	205	201	202	199	199	199

December 31, 1945—1954

1951	1950	1949	1948	1947	1946	1945
\$ 8,778	\$ 8,642	\$10,876	\$12,195	\$15,003	\$15,632	\$14,197
13,372	15,678	11,407	11,379	11,908	8,271	5,131
744	96	48	114	190	101	189
22,894	24,416	22,331	23,688	27,101	24,004	19,517
8,628	8,464	6,754	6,782	9,098	6,811	7,517
14,266	15,952	15,577	16,906	18,003	17,193	12,000
—	—	—	—	—	—	—
1,097	968	909	1,142	1,133	1,124	809
22,387	19,800	18,316	14,983	11,809	10,744	10,285
37,750	36,720	34,802	33,031	30,945	29,061	23,094
—	—	—	—	—	72	—
\$ 37,750	\$36,720	\$34,802	\$33,031	\$30,945	\$28,989	\$23,094
\$ 5,990	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
31,760	30,720	28,802	27,031	24,945	22,989	17,094
\$ 37,750	\$36,720	\$34,802	\$33,031	\$30,945	\$28,989	\$23,094
\$ 13.92	\$ 13.47	\$ 12.63	\$ 11.85½	\$ 10.94	\$ 10.08	\$ 8.24

210 McCrory Stores . . .

Arkansas (3)

Eldorado
Fort Smith
Jonesboro

Connecticut (1)

Danbury

Delaware (1)

Dover

Dist. of Col. (1)

Washington

Florida (39)

Arcadia
Bartow
Bradenton
Clearwater
Daytona Beach
128 S. Beach St.
814 Main St.
Deland
Fort Lauderdale
Fort Myers
Fort Pierce
Gainesville
Homestead
Jacksonville
Key West
Kissimmee
Lake City
Lakeland

Fla. (cont.)

Leesburg
Live Oak
Melbourne
Miami
Miami Beach
New Smyrna
Ocala
Orlando
Palatka
Panama City
Plant City
Punta Gorda
Quincy
Sanford
Sarasota
St. Augustine
St. Petersburg
425 Central Ave.
3270 Central Ave.
Tallahassee
Wauchula
West Palm Beach
Winter Haven

Georgia (8)

Atlanta
Bainbridge
Columbus
Cordele
Savannah
Tifton
Valdosta
Waycross

Indiana (2)

Anderson
Indianapolis

Kentucky (2)

Louisville
Lexington

Louisiana (3)

Lafayette
New Orleans
1626 Dryades St.
1005 Canal St.

Maryland (8)

Baltimore
Cambridge
Crisfield
Cumberland
Easton
Frederick
Hagerstown
Salisbury

Massachusetts (2)

New Bedford
1115 Acushnet Ave.
1009 S. Water St.

Mississippi (3)

Gulfport
Jackson
McComb

Missouri (1)

St. Louis

New Jersey (12)

Asbury Park
Atlantic City
Burlington
Camden
Clifton
Jersey City
Newark
Orange
Passaic
Perth Amboy
Rahway
Union

New York (9)

Bay Shore, L. I.
Brooklyn
Flushing, L. I.
Johnson City
Long Island City
New York City
Niagara Falls
Rego Park
Syracuse

North Carolina (5)

Dunn
Fayetteville
Fort Bragg
Roanoke Rapids
Tarboro

... In Twenty-two States *

Ohio (9)

Canton
Cleveland
Dayton
East Liverpool
Hamilton
Kent
Springfield
Steubenville
Youngstown

Pennsylvania (55)

Allentown
Altoona
Barnesboro
Bethlehem
Bradford
Bristol
Brookville
Canonsburg
Carlisle
Carnegie
Chambersburg
Charleroi
Chester
Clearfield
Connellsville
Cresson
Donora
DuBois
Ebensburg
Emporium

Pa. (cont.)

Franklin
Greensburg
Hanover
Homestead
Huntingdon
Indiana
Johnstown
Kane
Lancaster
Lebanon
Lewistown
Monongahela
Mt. Pleasant
Patton
Philadelphia
1205 Market St.
919 Market St.
Philipsburg
Pittsburgh
105 E. Ohio St.
314 Fifth Avenue
Portage
Pottstown
Punxsutawney
Reading
Reynoldsville
Ridgway
Scottdale
Scranton
Somerset
Tyrone
Vandergrift
Waynesboro
Waynesburg
Wilkes-Barre
Windber
York

South Carolina (8)

Aiken
Chester
Columbia
Gaffney
Georgetown
Greenwood
Newberry
Rock Hill

Tennessee (5)

Bristol
Kingsport
Morristown
Oak Ridge
Memphis

Texas (14)

Big Spring
Corpus Christi
Denton
Fort Worth
Galveston
Hillsboro
McAllen
Nacogdoches
Palestine
San Antonio

Texas (cont.)

Taylor
Terrell
Waco
Wichita Falls

Virginia (8)

Arlington
Cape Charles
Charlottesville
Front Royal
Harrisonburg
Pulaski
Staunton
Winchester

West Virginia (11)

Charleston
Clarksburg
Fairmont
Grafton
Huntington
Mannington
Martinsburg
Morgantown
New Martinsville
Parkersburg
Wheeling

*And the District of Columbia.

Stockrooms at New York, N. Y. and Huntingdon, Pa.

